

April 2023

BCEC

Bankwest Curtin Economics Centre

LABOUR MARKET UPDATE

Providing monthly updates and expert insights and analysis around key labour market indicators.

- **Employment falls and unemployment rate rises, but no clear signs of a slowdown as vacancies and hours worked increase in April 2023.**
- **Nominal wages rise but real wages continue to fall as wage growth fails to keep pace with price inflation.**
- **A June rate rise is unlikely, but inflation pressures mean the tightening cycle might not yet be over.**

Labour market slow down? Take two...

The domestic economic outlook provided in the recent Commonwealth budget shows the rate of inflation falling to 3.25 per cent in 2023-24 and to 2.75 per cent in 2024-25. With annual inflation currently running at 7 per cent, those forecasts paint an optimistic path back to the Reserve Bank's 2-3 per cent target range for inflation. The budget strategy is relying on interest rates starting to bite soon to slow demand and push the unemployment rate back above 4 per cent in the coming year.

The headline unemployment rate did increase by 0.2ppt to 3.7 per cent in April. When the exact same thing happened in January of this year, we wondered if it might be the first hint of a much-anticipated slow-down. It wasn't. And this time the signs are even more ambiguous. While there was a sizeable monthly drop in male full-time employment (down 0.8 per cent), the number of online job vacancies increased by 3.4 per cent and is trending upwards. Average monthly hours worked increased over the month, and underemployment fell.

With price pressures already in the pipeline, it's hard to see inflation moderating much further in 2023. ABS estimates suggest the labour market continues to accommodate increases in the working-age population of around 45,000 persons per month, a rate of growth more than 50 per cent above the historical average and with immigration a major contributor. This will add to existing price pressures, particularly in housing and energy.

The 15 per cent wage increase for award workers in the aged care sector comes into effect at the end of June, and unions are pushing for full 7 per cent indexation of minimum wages in the current annual wage review. Given the current spotlight on the cost of living and pre-election pledges on real wages, and the fact that last year's minimum wage was increased in line with the prevailing 5.2 per cent inflation, it's going to be politically difficult for the government to back anything much below a similar indexation of the minimum wage this year.

The Commonwealth budget included subsidies to reduce household energy bills, with similar measures

introduced in some state budgets - the recent WA budget for example. These measures will bring much needed relief to many households, but any effects on inflation will be artificial and temporary. They won't change the underlying, real cost of generating power, and the Reserve Bank will know any resulting fall in headline inflation will be reversed down the track.

We don't expect the Reserve Bank to move on interest rates again at their June meeting, but April's labour force figures will provide little comfort for either the RBA or the budget strategy.

The times they aren't a-changing

Australia has seen a steady rise in the share of people working part-time from the start of the current labour force survey in 1978 up to the middle of 2021. In part this has reflected the growing participation rate among women, a greater share of whom work part-time. But the same has also applied to men - at least until recently.

The share of part-time to total jobs for men increased from around 5 per cent in 1978 to 20 per cent in mid 2021, and from 33 per cent to more than 46 per cent over the same period for women.

The popular narrative is that more people may prefer the balance that part-time work affords and that the jobs of the future will more than ever embrace flexibility and lower hours.

But we've seen something of a reversal to this narrative over the past two years. The share of women working part-time has dropped by nearly 4ppt to 42.2 per cent since March 2021. And the part-time workforce share dropped below 30 per cent at the turn of the year for the first time in over a decade.

So has the shift towards part-time work - one of the most consistent long-term trends in the Australian labour market over the past 40 years - finally run its course? Or has the trend reversed temporarily because of labour shortages and rising costs of living across the country?

We'll know more once labour market pressures start to ease.

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Special thanks to Alex Buckland and Valentina Sanchez Arenas for their assistance in creating this publication.

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Labour market fundamentals

Key takeaways

- The Australian labour market slowed marginally over the month of April 2023
- Employment fell by 4,300 persons in April 2023, with 27,100 fewer full-time and 22,800 more part-time workers
- Full-time employment rose by 0.6 per cent for women but dropped 0.8 per cent for men over the month.
- The opposite was the case for part-time work, rising 3.1 per cent for men but falling by 0.6 per cent for women.

The number of employed people in Australia is currently sitting at nearly 13.9 million, with only a marginal decline of 4,300 in the count over the month to April 2023 (Table 1). But the relative stability in the national employment count disguises more significant movements at state level and across gender and employment status.

Overall employment in Victoria fell by 23,900 between March and April 2023, with a heavy drop in full-time employment (down 32,300) only partially offset by the addition of 8,300 more part-time workers. Victorian Premier Dan Andrews has recently foreshadowed further cuts to the state’s public sector workforce as a budget protection measure so the situation could deteriorate further over the coming months.

Most states have seen the balance of employment shift from full-time to part-time work, headed in share terms by

South Australia with 15,200 fewer full-time workers in April compared to March 2023 and 8,400 more (mainly male) people working part-time. NSW is the exception to the rule, with a net increase of 19,100 in full-time workers and in overall employment of 7,400 over the month.

A breakdown by gender (Figure 1) shows that full-time employment rose nationally by 0.6% for women but dropped by 0.8% for men. The opposite was the case for part-time work (+3.1% nationally for men, -0.6% for women).

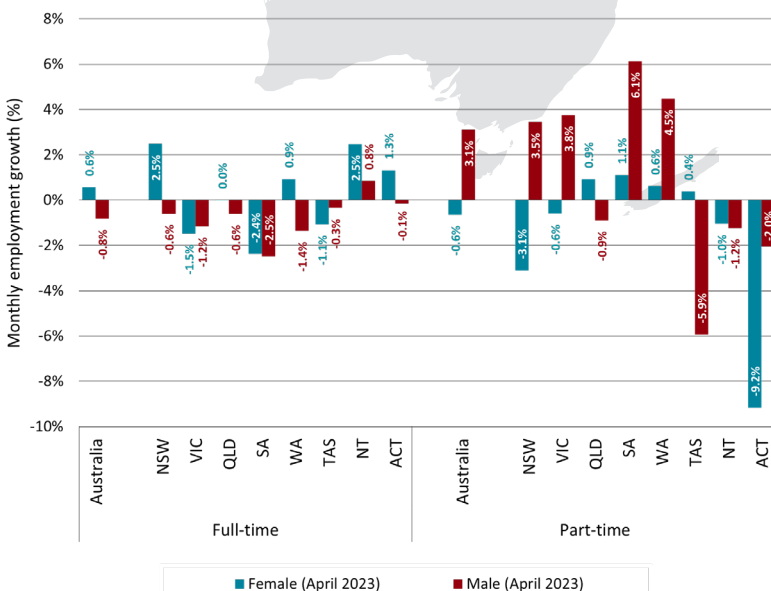
Labour force participation fell marginally over the month (Figure 2) with a 0.1ppt drop in the national participation rate. Changes to labour force participation rates vary by gender across states and territories, with a 0.8ppt decrease in the participation rate for women in Victoria contrasting with a 0.7ppt fall in male participation rates in Queensland.

Table 1: Employment changes: states and territories

	Employed Persons ('000)	Change from:				Change from March 2023 ('000)		Change (%) from April 2022				
		April 2023	March 2023 ('000)	Rank	April 2022(%)	Rank	Full-Time	Part-time	Full-Time	Part-time		
Australia	13,882.1	-4.3	---	▲	+2.9%	---	-27.1	+22.8	▲	+3.7%	▲	+1.0%
NSW	4,315.3	+7.4	1	▲	+3.5%	4	+19.1	-11.7	▲	+4.9%	▲	+0.2%
VIC	3,588.3	-23.9	8	▲	+3.0%	5	-32.3	+8.3	▲	+4.2%	▲	+0.4%
QLD	2,801.7	-4.3	6	▲	+2.3%	7	-7.1	+2.8	▲	+1.5%	▲	+4.1%
SA	941.1	-7.0	7	▲	+3.9%	3	-15.4	+8.4	▲	+3.7%	▲	+4.2%
WA	1,530.0	+2.2	2	▲	+1.1%	8	-5.6	+7.8	▲	+3.3%	▼	-3.6%
TAS	291.4	-2.9	4	▲	+4.1%	2	-1.1	-1.8	▲	+0.6%	▲	+10.9%
NT	143.6	+1.4	3	▲	+5.2%	1	+1.7	-0.4	▲	+5.3%	▲	+4.9%
ACT	261.4	-3.0	5	▲	+2.6%	6	+1.0	-4.0	▲	+7.9%	▼	-12.4%

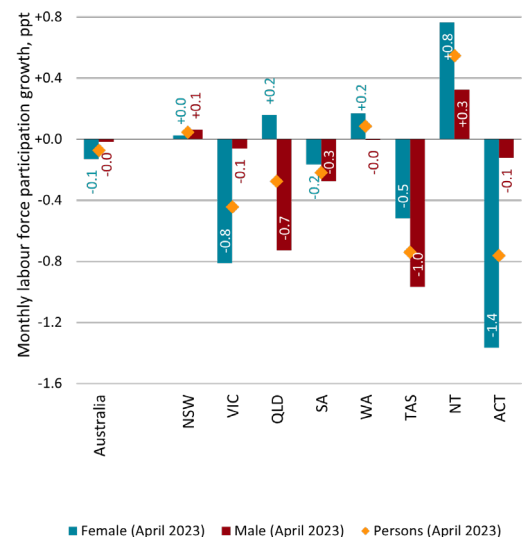
Notes: Seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 1: Employment growth by state and gender



Seasonally adjusted values are used. Figures show change from March 2023 to April 2023. ACT and NT values are generally more volatile than other states. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 2: Monthly change in labour force participation



Notes: Seasonally adjusted values are used. Figures show change from March 2023 to April 2023. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Underemployment and unemployment

Key takeaways

- The national unemployment rate increased by 0.2ppt to 3.7 per cent, with Tasmania the only state to record a decrease.
- Male unemployment rose 0.3ppt during the month of April 2023, while female unemployment fell by 0.1ppt.
- The national underemployment rate fell by 0.1ppt, driven by a reduction of 0.3ppt in female underemployment.

The national unemployment rate increased by 0.2ppt to 3.7 per cent over the month to April 2023 - only the second monthly increase since the start of the year. Unemployment rates rose for most states and territories over the month, with Tasmania and the Northern Territory the two exceptions (falling by 0.1ppt in both cases).

South Australia has the highest unemployment rate across the country at 4.3 per cent following a 0.6ppt increase over the past month. WA followed the national average with an increase of 0.2ppt. However, WA was the only state to record an increase in unemployment over the year, with 11,000 more unemployed compared to April 2022 - albeit at a time when the state's unemployment rate dropped to just 3.0 per cent.

Looking at breakdowns by gender, the unemployment rate for women dropped 0.1ppt to 3.3 per cent in April while the rate for men rose 0.3ppt to 4.0 per cent. A marginal increase in employment coupled with lower labour force participation explains the fall in women's

unemployment. The explanation for men is a little different, with 14,400 more in the labour force in April but 7,700 fewer jobs.

Across the states, South Australia recorded the highest unemployment rate for men over the month, increasing 0.5ppt to 5 per cent. WA followed similar trends to the national average, with a 0.6ppt increase in the male unemployment rate and a 0.3ppt decrease for women.

Underemployment went in the opposite direction to that of unemployment this month but changes were consistent along gender lines; with a fall of 0.3ppt in underemployment for women, and a marginal 0.1ppt increase for men.

The national decrease in women's underemployment was primarily concentrated in the eastern states; with NSW recording the largest decrease of 1.0ppt. Meanwhile, men saw a 0.3ppt decrease in Queensland negated by a 0.6ppt increase in underemployment in South Australia.

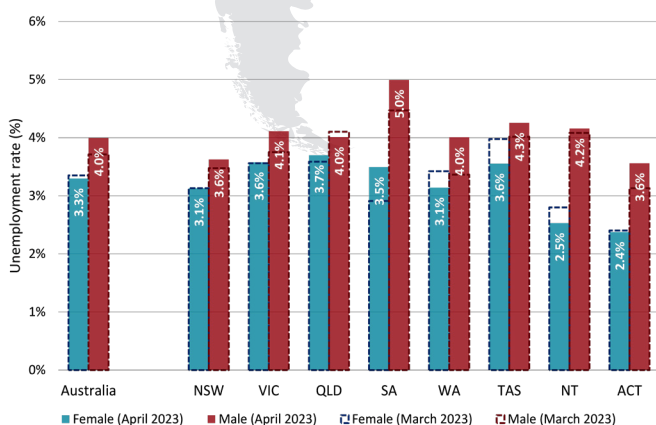
Table 2: Unemployment changes: states and territories

	Unemployment Rate		Change (ppt) from:		Unemployed ('000)		Change ('000) from:	
	April 2023	Rank	March 2023	April 2022	April 2023	March 2023	April 2022	
Australia	3.7%	--	▲ +0.2	-0.2	528.0	▲ +18.4	-13.2	
NSW	3.4%	3	▲ +0.1	-0.1	151.5	▲ +4.0	-1.9	
VIC	3.9%	5	▲ +0.2	-0.3	144.0	▲ +6.8	-7.7	
QLD	3.9%	6	0.0	-0.5	112.5	0.0	-12.9	
SA	4.3%	8	▲ +0.6	-0.2	42.1	▲ +5.4	-0.9	
WA	3.6%	4	▲ +0.2	+0.6	57.2	▲ +3.5	+11.0	
TAS	3.9%	7	▼ -0.1	0.0	11.9	▼ -0.4	+0.4	
NT	3.4%	2	▼ -0.1	-0.8	5.0	▼ -0.1	-1.0	
ACT	3.0%	1	▲ +0.2	-0.2	8.1	▲ +0.5	-0.4	

Notes: Seasonally adjusted values are used. State and territory numbers of unemployed people do not sum to the figures for Australia due to ABS seasonal adjustment methods.

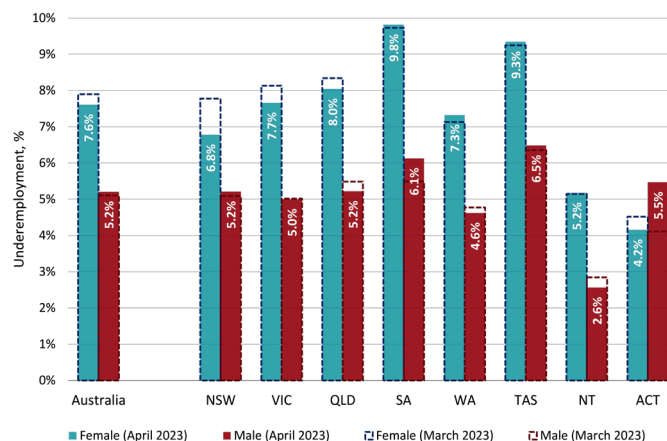
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 3: Unemployment rate by state and gender



Notes: Seasonally adjusted values are used. Figures show change from March 2023 to April 2023.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 4: Underemployment ratio by gender: states and territories



Notes: Seasonally adjusted values are used.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Vacancies and hours

Key takeaways

- Labour demand remains strong with the national Internet Vacancy Index increasing by 3.6 per cent in April 2023.
- Job advertisements rose by 8.2 per cent over the month in South Australia and by 4.4 per cent in Western Australia.
- Average monthly hours worked increased nationally by 2.6 per cent in April 2023 to 142.2 hours per worker.

Internet job vacancies rose by 3.6 per cent across the country in April 2023, further adding to the rebound in advertised positions over the past couple of months. This suggests that labour demand remains strong with skills shortages remaining an issue in many parts of the country.

Job vacancies increased across all states and territories in April 2023, with an 8.2 per cent increase in job advertisements in South Australia and a 4.8 per cent increase (3,500 vacancies) in Victoria.

The continued strength of the Western Australian economy has led to the strongest increase in labour demand across all states and territories during 2023. This shows that skills shortages clearly remain a challenge for WA's businesses with an extra 1,500 jobs added to the stock of internet vacancies in April 2023.

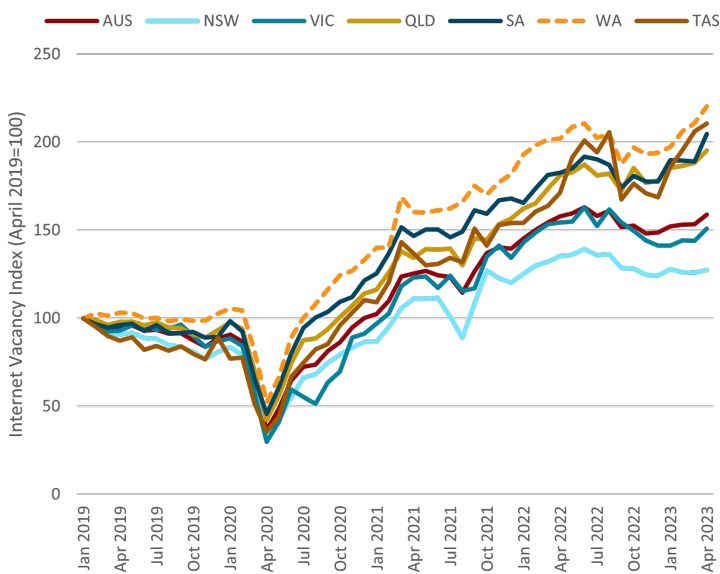
Average monthly hours worked recovered significantly in April 2023 after a near universal decline in March 2023.

Nationally, average hours per worker rose 2.6 per cent to 142.2 hours per month. Taken together with other signals in this update, we're drawn to the conclusion that reports of a labour market slowdown are too early to call.

All states and territories registered some growth in average monthly hours, led by South Australia with a 4.2 per cent increase over the past month. Western Australia saw average hours increase by 2.0 per cent to 143.3 hours worked per month. The lowest increase was seen in Queensland with a 0.4 per cent rise to 140.2 hours.

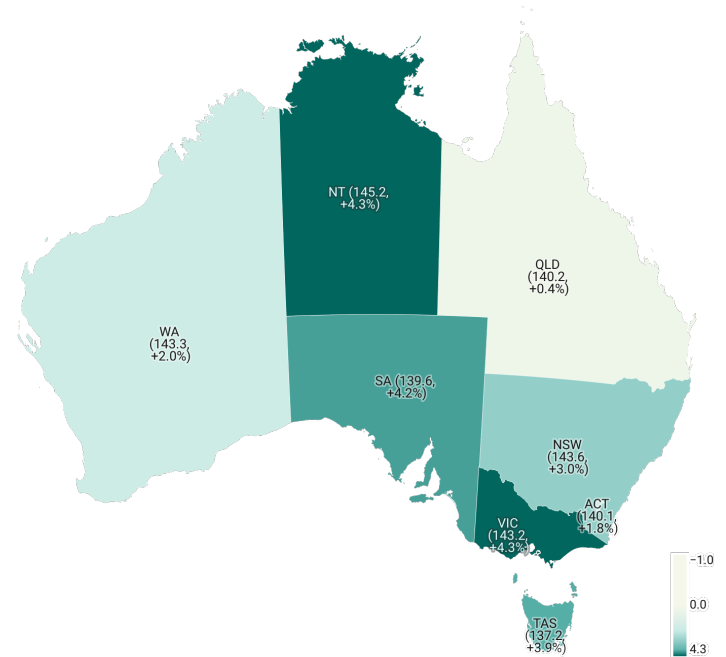
Year-on-year measures of hours worked also indicate a positive general trend, with average monthly hours increasing 4.4 per cent to 142.2 hours worked as at April 2023. Again, all states and territories recorded increases in average monthly hours over the past year.

Figure 5: Change in Internet Vacancy Index: 2019 to 2023



Notes: Seasonally adjusted values are used. ACT and NT figures are not shown. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government Jobs and Skills Australia.

Figure 6: Average hours worked per month: year to April 2023



Notes: Seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Labour force flows

Key takeaways

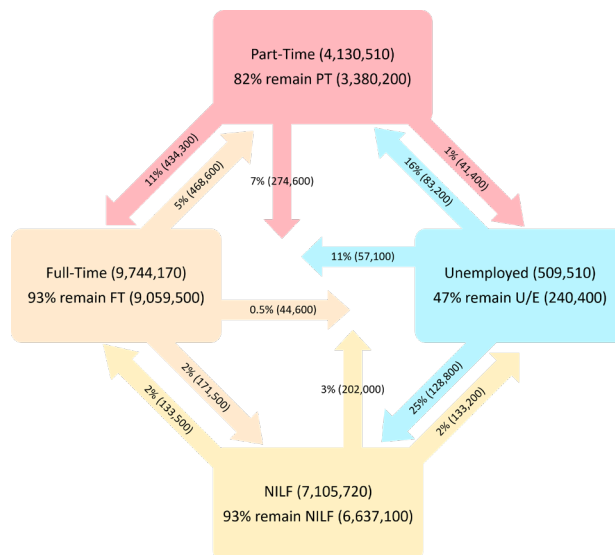
- There was a net flow of 106,000 people moving out of the labour force between March and April 2023.
- Around 73,000 part-time workers moved out of the labour force in April 2023, with 38,000 exiting from full-time work.
- Less than 50 per cent of unemployed people in March 2023 remained unemployed in the following month of April 2023.

Some signs of a labour market slowdown are visible in the labour market flows data with a projected net outflow of around 106,000 people from the labour market between March and April 2023. This was driven mainly by a net outflow of 73,000 people moving from part-time work to non-participation and around half that number (38,000) exiting the labour force from full-time work.

There was a projected net flow of around 30,000 (mainly male) workers moving from full-time work to part-time employment over the last month, although there was still a net flow of 40,000 full-time workers leaving the labour force over the month.

One of the most interesting insights from the ABS labour force flows data is the degree of churn in the stock of unemployed people from one month to the next. Less than half of people who were unemployed in March 2023 remained unemployed in the following month. A quarter of previously unemployed people moved out of the labour force in April 2023, 16 per cent moved into part-time work and 11 per cent into full-time employment.

Figure 7: Labour force flows: March 2023 to April 2023



Notes: The ABS labour market flows series is based on a matched sample of respondents who are present in the labour force survey in two consecutive months. Around 79% of ABS survey respondents in March 2023 were also present in the April 2023 survey. Due to rounding and scaling, figures may not match totals from elsewhere in this MLMU. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0, Table 23 & Pivot table GMT.

Youth unemployment

Key takeaways

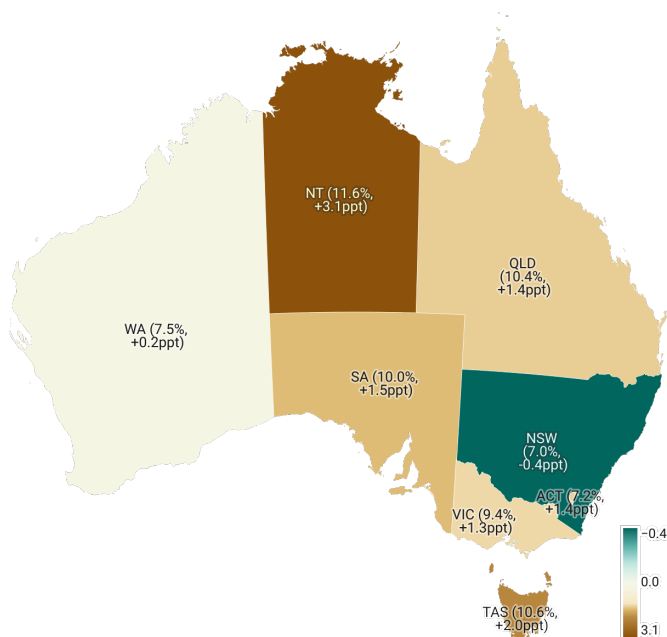
- The national youth unemployment rate increased by 0.7ppt to 8.7 per cent over the month to April 2023.
- NSW has the lowest youth unemployment rate of all state jurisdictions, having fallen 0.4ppt to 7 per cent over the past month.
- Youth labour force participation rates in South Australia reached 77.1 per cent, followed by Western Australia at 72.1 per cent.

The national youth unemployment rate increased by 0.7ppt to 8.7 per cent over the month to April 2023.

This was driven by rising youth unemployment in most states and territories with Queensland, South Australia, Victoria and Tasmania all recording increases in youth unemployment rates greater than 1ppt. New South Wales bucked the national trend with a 0.4ppt fall to 7 per cent in the state's youth unemployment rate - the lowest rate of any jurisdiction across the country.

Western Australia saw its youth unemployment rate increase by 0.2ppt to 7.5 per cent in April 2023, losing the top spot to NSW. However, this latest increase in WA's youth unemployment rate was likely driven by a 0.9ppt increase in the labour force participation rate among the state's youth cohort. This lifts the state's youth participation rate to 72.1 per cent, the second highest across the country behind only South Australia at 77.1 per cent.

Figure 8: Youth unemployment rates and monthly change: April 2023



Notes: Seasonally adjusted values are used. Figures show change from March 2023 to April 2023. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Wages

Key takeaways

- The wage price index (WPI) rose by 3.6 per cent in the year to March 2023, a faster rate than previous quarters.
- Inflation shows little sign of slowing down, resulting in real wages continuing to decline at the national level.
- Stronger WPI growth and weaker CPI growth in WA led to a marginal increase in real wages over the quarter to March 2023.

Nominal wages grew by around 3.6 per cent over the year according to wages data released this month, with 0.8 per cent growth in the quarter to March 2023.

Wages growth has been picking up in each state and territory over the last four quarters according to wage price index (WPI) data from the ABS (Figure 9). The acceleration is most pronounced in Western Australia and Tasmania with annual WPI growth running at 4.1 per cent as at March 2023.

But despite some slowdown since the start of the year, price inflation is still running at 7 per cent nationally. This means real wages for Australia have fallen at a rate of 3.4 per cent over the year to March 2023. This is a little below the 4.4 per cent annual decline in real wages to December 2022, but the cumulative effect of wages failing to keep pace with prices is considerable and adds to the cost-of-living pressures faced by so many across the country.

In fact, there has been negative real wages growth in each state for every quarter since June 2021 (Figure 10) with the heaviest real wage falls taking place towards the end of 2022 when price inflation was running hot. There is some evidence that the worst may be over. However, real wage growth is still in negative territory. There is still a long way to go before we see consistent real wages growth at the 0.5 per cent target to which Federal and state budgets aspire.

WA is the only state to record positive real wage growth (0.2 per cent) over the March 2023 quarter (Figure 11). This is the second time that real wages in WA have grown over a quarter since price inflation started to lift in late 2020. The first increase was less to do with nominal wages growth and more to do with the state government's \$400 energy bill credit which had the effect of reducing CPI. This may very well happen again with electricity credits featuring in both state and federal budgets this year.

Figure 9: WPI and CPI growth by state: Jun 2022 to March 2023

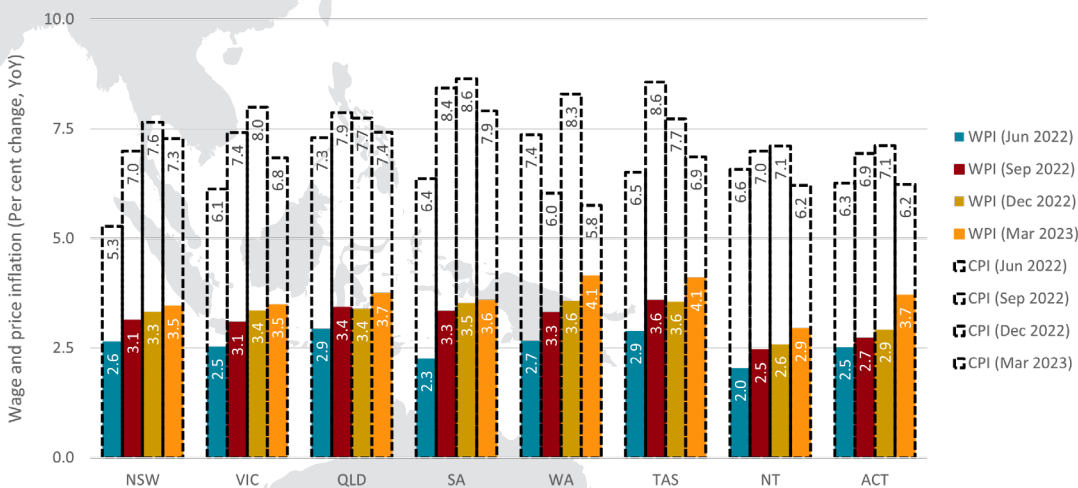


Figure 10: Real wages growth: by state, 2018-2023

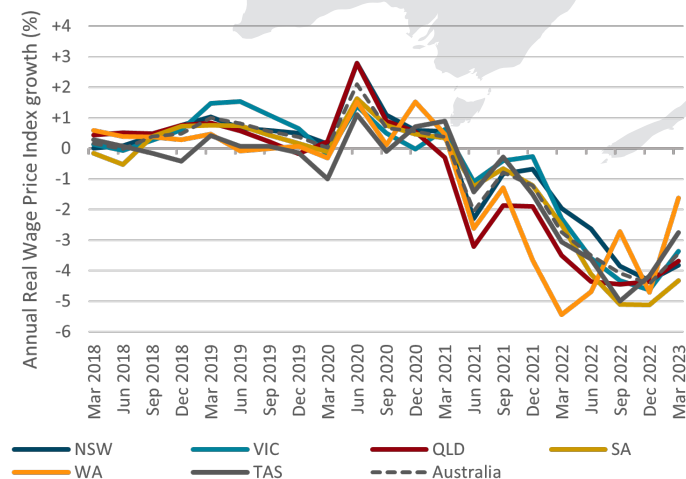
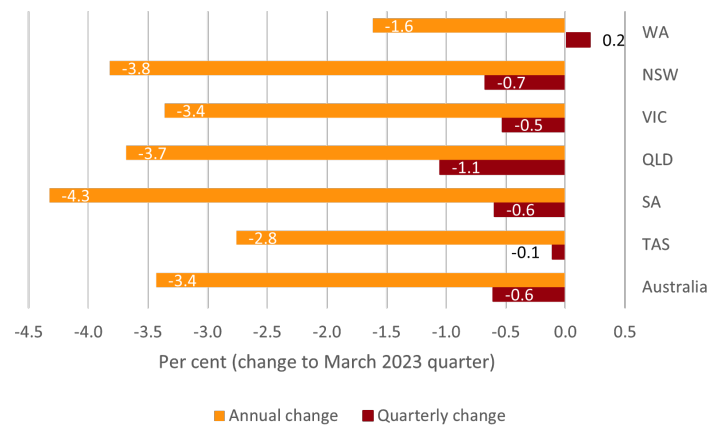


Figure 11: Real wages growth: to March 2023



Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No. 6345, Table 26b, and No. 6401, Table 5.



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